



Chief Executive Officer Letter

Dear Shareholders,

I am pleased to announce that LED achieved revenue growth of 256% over the prior year in fiscal year ended December 31, 2014 with total revenue of \$9 million dollars. I am proud of the execution of our team and expect continued strong revenue growth in fiscal year ending December 31, 2015 with revenue guidance of \$15 million to \$16 million, leveraging our momentum as we continue to build the Company's customer base in the dental imaging market.

Contributions to revenue growth came from both the VELscope® product line, which experienced significant year over growth as well as early contributions from our recently launched digital imaging product line. These results provide affirmation that our plan to optimize VELscope® distribution, while concurrently expanding and diversifying our product portfolio, was working according to plan.

The Company experienced revenue in the fourth quarter of fiscal 2014 of \$4.6 million dollars representing revenue growth of approximately 2073% over the same period in the prior year. Gross Margins experienced in the fourth quarter of fiscal 2014 were 31%. This is lower than the prior quarter due to competitive pressures in Q4 seasonality which resulted in temporary pricing erosion in our digital imaging product line.

The Company continues to nurture new relationships while strengthening existing ones. This is especially the case with our preferred digital radiographic manufacturing partner, RAY Company. Since RAY Company has become an independent entity from Samsung Electronics, we have collaborated with them on a number of projects and initiatives. We are excited about RAY's pipeline of high quality products and the vision we share to accelerate mutual growth by combining the best digital imaging products in North America with LED's "white glove" approach to customer experience.

The continued expansion and diversification of our digital imaging portfolio will be key to our ongoing and future success. We plan to grow organically and by acquisition. We will enter into value added reseller agreements with exciting dental technology companies allowing us to leverage their R&D investments while providing sales, marketing and support for in demand imaging products with strong market appeal. The dental imaging market continues to be vibrant and is driven by the ability of the technology to improve patient care while enhancing practice workflow efficiencies. In the near term, we plan to complement our product portfolio with a "cloud based" imaging software to complement our imaging hardware products and will soon launch products related to our dental CAD CAM strategy. New product additions such as these widen the value spectrum of our product offering and provide the company with a greater diversity of revenue streams to help smooth the impact of sales seasonality in the dental business while reducing our dependency on a single supplier.

In 2014, we built an entirely new digital imaging business growing revenues from inception to \$3.9 million in a short time frame. We were able to do this because of the experience and focus of our management team and the industry specific talent that we were able to attract. Our people, our focus, our products and our passion for the customer has allowed us to compete successfully with long established Companies many times our size.

We have made significant investments in our Atlanta based sales, marketing and customer support infrastructure. Our forward plan will be to continue to leverage this new sales and marketing platform by adding additional products and services, while optimizing our cost structure and improving efficiencies as we grow to drive future economic return on investment.

As our revenues scale, negative cash flows will decline as a result of leveraging our operating infrastructure allowing us to turn the corner to sustainable positive cash flow. We will then be ideally positioned to serve our growing base of customers, continue to grow our Company, and provide our shareholders with long term value and a return on our operating infrastructure investment.

Management Change

- On October 28, 2014, the Company announced that Randolph Simmons has joined LED as Director of Technical Services. Mr. Simmons will assume the responsibilities to develop and grow LED's team of digital technology specialists, expand the service provider network and act as LED's Radiation Safety Officer.
- On September 9 2014, the Company announced that Jody Kelly, CPA, has joined LED as Vice President of Finance. Ms. Kelly will be based out of LED's Atlanta office and assume responsibility for the company's accounting, financial planning and analysis, cash flow management, internal auditing, public company reporting and treasury.
- On September 9 2014, the Company announced that Jody Kelly, CPA, has joined LED as Vice President of Finance. Ms. Kelly will be based out of LED's Atlanta office and assume responsibility for the company's accounting, financial planning and analysis, cash flow management, internal auditing, public company reporting and treasury.
- On September 2, 2014, the Company announced that Darryl J. Yea accepted the position of Chairman of the Board and Director of the Company. Darryl has been a director with the Company since 2011 and he is currently the President of Investco Capital Management Inc.
- On September 2, 2014, Dr. David Gane, CEO of LED Medical, and Lamar Roberts, President of the Company's wholly-owned operating division, LED Dental, were appointed to the Board of Directors.
- On April 24, 2014, the Company announced that Tom Kearney, an industry leader with more than 30 years of experience, has joined the LED Imaging team and will assist with future endeavors in the orthodontic market.

Product Highlights

- On March 12, 2015, the Company announced the introduction of the RIOSensor Intraoral Radiography System from RAY Co., Ltd. RIOSensor images enhance the clinician's ability to improve radiographic diagnosis. The sensor officially premiered at the 150th Annual Chicago Midwinter Meeting.
- On August 19 2014, the Company officially introduced the LED IC200. This product is the second intraoral camera in the Company's product portfolio and is elegantly designed to acquire high-resolution intraoral and extra oral images with auto focus and a large depth of field.
- On August 13, 2014, the Company announced the availability of its new digital intraoral camera, the LED IC100. Designed with simplicity, functionality and versatility in mind, the LED IC100 intraoral camera captures high-resolution images to provided practitioners with an enhanced patient education tool.
- On May 14, 2014, LED Dental announced the introduction of its new digital radiography intraoral sensor, LED IS 100 which is a replacement for traditional dental film.
- On April 24, 2014, LED Imaging announced it is launching its LED Imaging Software to integrate with the company's growing portfolio of imaging technologies. On March 5, 2014, the Company announced that its VELscope® Vx Enhanced Oral Assessment System received a REALITY CHOICE'S rating of 4.5 out of a possible 5 stars. Evaluators were tasked with implementing the VELscope® Vx Enhanced Oral Assessment System into their practices and evaluating its features, including clinical utility, ease-of-operation, camera system use and marketing materials

Business Highlights

- On April 21, 2015, the Company announced that it will be serving as a strategic partner in the Oral Cancer Foundation's "Be Part of the Change" program, seeking to promote the importance of routine comprehensive oral screenings and early detection in the fight against oral cancer.

- On April 15, 2015, the Company announced a pilot program for oral cancer screenings at various London Drug pharmacies in the lower mainland of B.C. This program has been endorsed by the BC Oral Cancer Prevention Program.
- On April 9, 2015, the Company announced an agreement with OrthoSynetics which designates LED Dental as the preferred imaging technology supplier for their orthodontic practices. OrthoSynetics provides administrative, marketing and financial services for 350 orthodontic practices across the United States.
- On March 17, 2015, the Company announced the funding of an \$8,000 gift to the University of British Columbia to support a research project titled "Prevention Strategies in Early Detection and Diagnosis of Oral Cancer in Vietnam". This gift will fund the travel costs to Vietnam for two research trainers to deliver training for various levels of health professionals. Oral cancer is one of the most common cancers in Vietnam, more than six times higher than for patients in the US and Canada.
- On December 8, 2014, the Company announced the signing of an exclusive one year distribution agreement with Ray Co., Ltd. to market the RAYSCAN Alpha-Expert dental imaging system and the RIOSensor intraoral sensor in Canada.
- On October 14, 2014, LED Medical announced the renewal of its exclusive international distribution agreement (outside North America) for the VELscope® Vx for a three year term with DenMat Holding LLP. This agreement requires minimum annual purchases of the VELscope® Vx product line by DenMat and is subject to another three-year extension at the mutual agreement of both parties.
- During September 2014, the Company showcased its new digital Imaging products at the California Dental Association (CDA) Annual Conference entitled "CDA Presents the Art and Science of Dentistry", the American Association of Oral and Maxillofacial Surgeons 94th Annual Meeting, and the American Academy of Periodontology 100th Annual Meeting and Exhibition. The CDA conference alone was attended by more than 27,000 dental professionals.
- On April 22, 2014, LED Imaging entered a partnership with the UT College of Dentistry. Through this partnership, students, residents and faculty at the University Of Tennessee Health Science Center College Of Dentistry will now have access to new, sophisticated oral and maxillofacial imaging technology. Residents and dental students will receive hands-on training with the RAYSCAN α – Expert dental imaging system, as part of their clinical training.
- On April 15, 2014, the Company announced that it entered non-exclusive distribution partnerships with Atlanta Dental Supply Company and Nashville Dental, Inc. for distribution of the Company's VELscope® Vx Enhanced Oral Assessment System and product line in the United States.
- On April 2, 2014 the Company announced that the LED Imaging Division of its wholly-owned subsidiary, LED Dental Ltd., has partnered with Ray Co. Ltd. to sell, install and provide support for the RAYSCAN α – Expert dental imaging system.
- On January 14, 2014, the Company announced that it had signed an agreement with the BC Cancer Agency ("BCCA") to create and commercialize a progression-risk assessment test for oral cancer. The test is based on a quantifiable genetic phenomenon known as "Loss of Heterozygosity" or "LOH".

Financial Highlights

Fiscal 2014 Annual Comparative Results

- The Company reported revenue of \$9 million for the twelve months ended December 31, 2014 compared to \$2.5 million for the twelve months ended December 31, 2013.

- Gross margin² was 39% for the twelve months ended December 31, 2014 compared to 46% for the twelve months ended December 31, 2013.
- EBITDA¹ for the twelve months ended December 31, 2014 was negative \$4.9 million compared to negative \$2.1 million for the twelve months ended December 31, 2013.
- The Company had a net loss of \$6.1 million for the twelve months ended December 31, 2014 compared to a net loss of \$6.9 million for the twelve months ended December 31, 2013.

Quarterly Comparative Results

- The Company reported revenue of \$4.6 million for the three months ended December 31, 2014 compared to \$0.2 million for the three months ended December 31, 2013.
- Gross margin² was 31% for the three months ended December 31, 2014 compared to 37% for the three months ended December 31, 2013.
- EBITDA¹ for the three months ended December 31, 2014 was negative \$.8 million compared to negative \$1.2 million for the three months ended December 31, 2013.
- The Company had a net loss of \$.6 million for the three months ended December 31, 2014 compared to a net loss of \$1.4 million for the three months ended December 31, 2013.

Financial Guidance for Fiscal Year 2015

The Company is providing guidance for the full fiscal year ending December 31, 2015 ("fiscal year 2015"). This guidance is intended solely to give investors an understanding of management's expectations for the full fiscal year in light of recent industry sales trends, seasonality of the business and recognition that much of the sales generated in the dental industry occur in the fourth quarter. The guidance does not take into account, or give effect for, any events that are beyond the Company's reasonable control.

<u>Fiscal Year Ending December 31, 2015</u>	<u>Quantitative Guidance</u>
Revenue	\$15 million - \$16 million

I am proud of the way the team has executed in 2014 and encouraged by the positive impact it has had on our business. Our dental imaging category focus and "white glove" approach to customer support has proven to be a key competitive advantage for us. Now is time for us to create new efficiencies by leveraging our investment in our sales and marketing with product portfolio expansion. Continued execution, coupled with optimization of our cost structure, is the most direct path to future growth, sustainable earnings and shareholder value.

Thank you for your interest in our Company, our products and our services.

Sincerely,



Dr. David Gane
Chief Executive Officer
April 30, 2015

Please refer to the risk factors and forward-looking statements included in Management's Discussion & Analysis filed by the Company on Sedar for the above reporting period on April 30, 2015.

¹ EBITDA or Earnings before Interest, Taxes Depreciation and Amortization is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure does not have a comparable GAAP measure. EBITDA referenced here relates to net loss and comprehensive loss and excludes interest, income taxes, depreciation, amortization, finder's warrants issuance costs, stock-based compensation, deferred share unit compensation, mark to market adjustments on Canadian dollar denominated warrants, foreign exchange gain or loss and other income. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the cash operating loss of the business.

² Gross margin is a non-IFRS measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Gross margin referenced here relates to revenues less cost of sales. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the operating performance of the Company.

³ Core operating expense is a non-IFRS measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure does not have a comparable IFRS measure. Core operating expense includes sales and marketing, research and development and administration expense. The Company believes that the inclusion of this no-IFRS measure financial measure provides investors with an alternative presentation useful to investors' understanding of the Company's core operating results and trends.